Industrial Development Board of the Parish of Caddo, Inc.

FINANCIAL STATEMENTS

December 31, 2013



Industrial Development Board of the Parish of Caddo, Inc. Table of Contents December 31, 2013

REPORTS

1
3
5
6
7
8



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Independent Auditor's Report

Board of Directors Industrial Development Board of the Parish of Caddo, Inc. Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Industrial Development Board of the Parish of Caddo, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Industrial Development Board of the Parish of Caddo, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Industrial Development Board of the Parish of Caddo, Inc.'s internal control over financial reporting and compliance.

CA22, RIGGE & LAGRAM, LLC
CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana June 27, 2014



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors Industrial Development Board of the Parish of Caddo, Inc. Shreveport, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Industrial Development Board of the Parish of Caddo, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrial Development Board of the Parish of Caddo, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Board of the Parish of Caddo, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Industrial Development Board of the Parish of Caddo, Inc.'s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Board of the Parish of Caddo, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of those reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana June 27, 2014

Industrial Development Board of the Parish of Caddo, Inc. Statement of Financial Position

December 31, 2013

Assets	
Current assets:	
Cash	\$ 127,797
Total current assets	127,797
Lease purchase asset	7,500,000
Total assets	\$ 7,627,797
Liabilities and Net Assets	
Total liabilities	\$ = 2
Unrestricted net assets	127,797
Temporarily restricted net assets	7,500,000
Total net assets	7,627,797
Total liabilities and net assets	\$ 7,627,797

Industrial Development Board of the Parish of Caddo, Inc. Statement of Activities

For the year Ended December 31, 2013

			Temporarily	
	Unr	estricted	Restricted	Total
Grant Revenue	\$		\$ 7,500,000	\$ 7,500,000
Administrative fees		100,000	= 2	100,000
Total revenues		100,000	7,500,000	7,600,000
Operating expenses				
Professional fees		6,700		6,700
Dues		250	-	250
Bank fees		25	·#	25
Total operating expenses		6,975	-	6,975
Income from operations		93,025	7,500,000	7,593,025
Otherincome		21	1=	21
Change in net assets		93,046	7,500,000	7,593,046
Net assets, beginning of year		34,751	:-	34,751
Net assets, end of year	\$	127,797	\$ 7,500,000	\$ 7,627,797

Industrial Development Board of the Parish of Caddo, Inc. Statement of Cash Flows

For the year Ended December 31, 2013

Cash at end of year	\$ 127,797
Cash at beginning of year	 34,751
Net increase in cash	93,046
Net cash provided by operating activities	93,046
Increase in lease purchase asset	(7,500,000)
assets to net cash provided by operating activities:	
Adjustments to reconcile change in net	
Change in net assets	\$ 7,593,046
Cash flows from operating activities:	

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Industrial Development Board of the Parish of Caddo, Inc. ("IDB") is a Louisiana public non-profit corporation and instrumentality of Caddo Parish, Louisiana organized pursuant of Title 51, Chapter 7 of the Louisiana Revised Statutes. IDB was created by the Police Jury of the Parish of Caddo, Louisiana in 1973 to promote the retention, expansion, and attraction of business and commercial enterprises in Caddo Parish and to expand employment opportunities. IDB has the ability to issue taxable and tax exempt revenue bonds and other obligations to acquire land, construct, purchase, or renovate buildings to acquire and install machinery and equipment, and to finance any other economic development efforts. IDB can issue bonds without the necessity of calling a public bond election or having a public sale of bonds. The bonds (either taxable or tax exempt) are financed by the developer. Tax exempt bonds provide the incentive of a below market interest rate. IDB may also offer a PILOT (payment in lieu of taxes). A PILOT, if granted, may assist the developer with their financing of the project.

Reporting Entity

As the governing authority of the Parish, the Caddo Parish Commission is the financial reporting entity for reporting purposes. The financial reporting entity consists of (a) the primary government, the Caddo Parish Commission, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Caddo Parish Commission for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

- 1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Caddo Parish Commission to impose its will on that organization, and/or
 - b. The potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Caddo Parish Commission.
- 2. Organizations for which the Caddo Parish Commission does not appoint a voting majority but are fiscally dependent on the Caddo Parish Commission.

 Organizations for which the reporting entity's financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

Because the Caddo Parish Commission has (a) a fiscal responsibility to the Industrial Development Board of the Parish of Caddo, Inc., and (b) the potential for the IDB to provide specific financial benefits to, or impose specific financial burdens on, the Caddo Parish Commission, the IDB was determined to be a Component Unit of the Caddo Parish Commission, the financial reporting entity. The accompanying basic financial statements present information only on the funds maintained by the IDB and do not present information on the Caddo Parish Commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of balances held in money market accounts at investment banks. These balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2013, the Company had no uninsured cash balances.

Lease purchase asset

The lease purchase asset represents the GM building leased to Shreveport Business Park, LLC ("SBP") recorded at cost using the deposit method of accounting per GASB 62. The lease includes a purchase option. At the earlier of December 1, 2033, or the early payment of all amounts required under the lease agreement, IDB will transfer the ownership of the facility to SBP. Gain or loss on the transaction is not recognized until the sale is consummated and ownership transfers.

Net Assets

Under accounting principles generally accepted in the United States of America, IDB reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. IDB's net assets are classified as unrestricted and temporarily restricted; there are no permanently restricted net assets at December 31, 2013.

Date of Management's Review

IDB has evaluated subsequent events through June 27, 2014, the date, which the financial statements were available to be issued, and conclude that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to financial statements.

NOTE 2: ECONOMIC ENVIRONMENT

Income is dependent primarily upon IDB receiving a sufficient number of applications wherein the applicant/developer is seeking bond financing through IDB and, additionally in some instances, a PILOT. In the long-term, these applications and the subsequent successful bond issuance generate closing costs income and potentially annual administrative fees if a PILOT is involved. All such projects occur in Caddo Parish. A decline in local and general economic conditions could affect the generation of revenue.

NOTE 3: AGREEMENTS WITH ECONOMIC DEVELOPMENT PROJECTS

Sealy Shreveport Industrial Loop, L.P.

IDB is a party to an agreement originally dated February 1, 2003, and amended on May 1, 2011, with Sealy Shreveport Industrial Loop, L.P. ("Sealy"), a limited partnership organized and existed under the laws of the State of Georgia, for a project that consisted of acquiring, constructing and equipping, initially one but subsequently, two (2) warehouse/manufacturing facilities, in phases, of approximately \$350,000 sq. ft. each to produce parts for the General Motors Automotive Plant in Shreveport Louisiana for the benefit of Sealy Shreveport Industrial Loop, L.P.

Sealy must certify to the IDB annually on December 1 of each year, commencing December 1, 2012, the average number of employees employed and working on a full time basis at the Project during the prior calendar year. If the daily average number of jobs at the Project is less than fifty (50) during any calendar year (without taking into consideration any period during which any event of force majeure affecting the Project or Sealy prevents Sealy from operating the Project at that level), Sealy shall pay to IDB a payment in lieu of tax (PILOT) payment in an amount equal to the taxes that would have been due on the Project if it were subject to ad valorem taxes. Sealy shall be entitled to include all full time jobs at the Project, regardless of who is the employer.

If, during calendar year 2014 or 2015 Sealy discontinues operations of the Project for a period of 180 days or more (excluding any day that the Project is not in operation by reason of any event of force majeure affecting the Project or Sealy), IDB may require a PILOT payment in the full amount of ad valorem taxes that would be paid for such calendar year if the Project were subject to ad valorem taxes during such period.

General Motors shut down its operations in Shreveport, Louisiana in August 2012, which affected Sealy's ability to meet the requirements of its agreement with IDB. Therefore, no PILOT payments will be required to be made going forward.

Ivan Smith Furniture Company, Inc.

IDB is a party to an agreement dated August 26, 2004, with Ivan Smith Furniture Company, Inc. ("Ivan Smith"), a limited liability company under the laws of the State of Louisiana in Shreveport, Louisiana.

Ivan Smith shall pay annually to the collector of taxes for the Parish of Caddo a PILOT payment in an amount equal to the taxes that would have been due on the Project if it were subject to ad valorem taxes commencing on February 1, 2015, and on the same date of each year thereafter.

An extension of this agreement is currently in draft for an additional five (5) years with annual employment certifications required.

Libbey Glass Company

IDB is a party to an agreement dated July 29, 2005, expiring on February 15, 2027, unless extended, with Libbey Glass Company ("Libbey"), a limited liability company under the laws of the State of Louisiana in Shreveport, Louisiana.

The Libbey's property is exempt from ad valorem tax. Libbey agrees to make a PILOT payment on February 1 of each year, commencing February 1, 2006, in an amount equal to the amount paid as ad valorem taxes on the real estate, on which the Project is located.

Libbey agrees that additional PILOT payments will be paid on February 1 of each year, expressed as a percentage of all ad valorem tax on improvements, machinery and equipment comprising a part of the Project, that would be paid if such property were subject to ad valorem tax, in accordance with the following schedule:

	Percent of
Payment Date	Taxes
February 1, 2006 to	
February 1, 2018	0.0%
February 1, 2019	12.5%
February 1, 2020	25.0%
February 1, 2021	37.5%
February 1, 2022	50.0%
February 1, 2023	62.5%
February 1, 2024	75.0%
February 1, 2025	87.5%
February 1, 2026	100.0%

The favorable PILOT payments have been negotiated in exchange for:

- 1. Operation of the Project as a distribution facility used in conjunction with plant(s) maintained by Libbey or its successors or assigns in Caddo Parish, Louisiana;
- 2. Libbey or its successors and assigns maintain certain combined employment levels at plant(s) or other facilities operated by Libbey or successors and assigns in the Parish of Caddo and at the Project. Libbey will require, in a sublease, that Libbey or its successors and assigns maintain records of its daily full time employees at the plant(s) or other facilities operated by Libbey or its successors and assigns in the Parish of Caddo and at the Project and to file with Parish of Caddo, IDB and the Caddo Parish Assessor, on or before January 15 of each year, commencing January 15, 2007, the average number of full time employees at such facilities for the immediately preceding calendar year. If in any of the years described below, the average number of full time employees required and agreed to should not meet the agreed upon levels, the PILOT payments shall be 100% for each such year. Provided however, that if the plant(s) and/or the Project are not operated due to "force majeure" during any calendar year, for 6 months or less, the days such plant(s) or the Project shall have been closed shall not be taken into account in determining the average annual full time employment.

Failure to meet the average annual full time employment in any year shall not affect the abatement of ad valorem tax or the PILOT payment provided for herein for any other year.

Years	Employment
2006 through 2010, inclusive	900
2011 through 2015, inclusive	800
2016 through 2020, inclusive	700
2021 through 2025, inclusive	600

In the event Libbey ceases to operate the plant(s) and or the Project through year 2025, there shall be a single PILOT payment due upon termination of the agreement in the amount determined by establishing what the ad valorem property taxes would have been on the Project if owned by Libbey in each year the required average full time employment is below the required level, less any PILOT payments previously paid for such year(s).

Honeywell

IDB is a party to an agreement dated December 19, 2012, expiring on December 1, 2052, unless extended, with Honeywell International Inc. ("Honeywell") in Shreveport, Louisiana.

The agreement states the intent of the Project that the Plant be exempt from ad valorem property tax. Honeywell agrees to make a payment of the full amount of ad valorem taxes for the year 2012 on or before December 31, 2012, and thereafter a PILOT rental payment on or before December 31,

of each year, commencing not later than December 31, 2013, and continuing each calendar year during the agreement term in the following amounts:

- 1. Honeywell shall make a PILOT rent payment with respect to the Existing Plant in the precalculated rates for future payments,
 - a. Using a constant millage rate of 152.52 mills
 - b. Taking into account the Louisiana Industrial Tax Exemptions granted by the Louisiana Board of Commerce and Industry (the "ITE") with regard to the Existing Plant absent this agreement and scheduled expiration of such exemptions,
 - Using a constant value of land, improvements and personal property comprising the Existing Plant based on the market values determined for the 2012 ad valorem tax purposes, and
 - d. Providing for depreciation and for reduction based on obsolescence, removal and other factors.
- 2. Each component portion of the Expansion Project placed in service shall enjoy and be free of PILOTs for twenty (20) full calendar years succeeding the calendar year each component portion is placed in service in order to have the same effect as if an industrial tax exemption were granted by the Board of Commerce and Industry for each such component portion for a 20 year period. In the year following such 20 year period for each component portion placed in service, there shall be a payment in an amount equal to 10% of the amount that would be paid in ad valorem taxes if the component portion was not owned by an entity whose property is tax exempt and ratcheting up each year for 10 years in 10% increases such that an amount equal to 100% of what the taxes would be is required to be paid in the year following the 30th year after the component portion is placed in service.
- 3. In addition to the Existing Plant PILOT RENT and the Expansion Project PILOT rent, Honeywell shall also make supplemental PILOT payments to be paid on or before December 31 of the first full calendar year following the placement in service of each component portion of an Expansion Project and for each year thereafter, until the 21st year after the Expansion Project PILOT rent attributable to such component portion would become applicable, in an amount equal to 5% of what the ad valorem property taxes would be if the component portion was not owned by an entity whose property is tax exempt.
- 4. The favorable property tax abatements and reductions discussed above have been negotiated based on the economic benefits to Honeywell and the community of the retention of the Existing Plant and the development of the Expansion Project. IDB has concluded that the economic benefits of such retention and development exceeds the value of the property tax benefits. In the event that Honeywell does not meet minimum performance objections, additional payments shall be due and payable.
- 5. So long as this agreement remains in effect and all or any portion of the Plant is owned by IDB, the PILOT rent with respect to each component portion of the Plant shall (except with respect to the Supplemental PILOT payments) in no event be greater than the amount of ad valorem property tax that would otherwise be due in any year, assuming a ten year

industrial tax exemption had been granted by the Louisiana Board of Commerce and Industry for each component part of the Plant commencing in the calendar year following the placed in service date of such component, pursuant to the applicable relevant tax regulations in Louisiana as the same may be amended from time to time during the term of this agreement.

In addition to other amounts due and payable hereunder, Honeywell shall, on the date of execution and delivery hereof and December 31 of each year, commencing December 31, 2013, pay an Annual Administrative Fee Rental payment of \$50,000 directly to IDB.

In any year that the lease expires or is cancelled or terminated prior to December 31 of such year, the payments required above shall survive and be payable by Honeywell on or before the December 31 next succeeding such expiration, termination or cancellation.

IDB received \$50,000 from Honeywell for its Administrative Fee for the year ending December 31, 2013.

Shreveport Business Park, L.L.C.

IDB is a party to an agreement dated December 27, 2013, expiring on December 31, 2033, unless extended, with Shreveport Business Park, L.L.C. ("SBP"), which includes the former General Motors plant facility in Shreveport, Louisiana.

While the Project is owned by IDB, the property will be exempt from ad valorem property tax as set forth in the paragraph Louisiana Revised Statutes 51:1160. It permits IDB to require a PILOT payment in an amount up to the amount of ad valorem property taxes that would be required if the Project were not owned by an entity whose property is exempt ad valorem property tax. IDB agrees that no PILOT payment will be required for the current tax year or the 2014 through 2025 years. Thereafter, until this agreement is terminated, there shall be a PILOT payment payable on or before December 31 of each year, commencing December 31, 2026, in an amount equal to the amount that would be paid for such year with respect to the Project, if it were owned by a party whose property is subject to ad valorem property taxes.

The following rental payments are agreed upon by IDB and SBP:

- 1. On the closing date and on the first day of each month thereafter, through and including December 1, 2016, the SBP shall make a rental payment in the amount of \$25,000 per month. Thereafter, commencing January 1, 2017, and on the first day of each month through and including December 1, 2033, such rent payable by SBC shall increase to \$60,500 per month. SBP at its own discretion may make payments in excess of the minimum rent.
- 2. On December 31 of each year, SBP shall pay to the tax collector, as percentage rent, an amount equal to 15% of the tenant base rent (i.e., rent exclusive of all operating costs and expenses, taxes, or payments in lieu of taxes paid to IDB, insurance, etc.) received under each sublease paid to SBP for portions of the Project subleased, including without

limitation, the Sublease, after SBP collects an amount of tenant base rent equal to the cost of all tenant improvements and capital expenditures required to be made by SBP related to each sublease. SBP shall furnish to IDB on December 10 of each year an accounting of all tenant improvements and capital expenditures required to be made by SBP and the aggregate amount of tenant base rent.

3. In addition to amounts due above, SBP shall on August 1, 2014, and on December 31 of each year thereafter, commencing December 31, 2014, pay an administrative fee rental payment in the amount of \$20,000 to IDB.

All payments above, with the exception of the annual administrative fee rental payment, will be reimbursed to the Caddo Parish Commission as PILOT payments.

The Caddo Parish Commission has the option at any time to request transfer of title of the facility from Industrial Development Board of the Parish of Caddo, Inc. if the request is made in writing. After such a request is received, Industrial Development Board of the Parish of Caddo, Inc. has ten (10) days to transfer title to the Commission.

NOTE 4: RELATED PARTY TRANSACTIONS

The Caddo Parish Commission granted \$7,500,000 to IDB during the year ended December 31, 2013 to assist in the purchase of a facility to lease as part of its business development and incentive efforts in Caddo Parish.

No reimbursable payments were made to the Commission during the year and no payable to the Commission is recorded as of December 31, 2013.